

## **CASH MANAGEMENT POLICY BOARD MINUTES**

The Cash Management Policy Board held a meeting on November 18, 2008 at 10:00AM in the Buena Vista Conference Center, New Castle, Delaware.

### **In Attendance:**

Board Members: John Flynn- Chairman  
David Marvin  
Harold Slatcher  
Margaret Iorii  
Warren Engle  
Honorable Jack Markell, State Treasurer  
Honorable Richard Cordrey, Secretary of Finance  
Honorable Russ Larson, Controller General

Deputy Attorney General: Elio Battista

Others: Rick Geisenberger, Deputy Secretary of State  
Tom Cook, Deputy Secretary of Finance  
Brian Maxwell, State Treasurer's Office  
Zafar Chaudhry, State Treasurer's Office

### **CALL TO ORDER:**

Mr. Flynn called the meeting to order at 10:02AM.

### **APPROVAL OF THE JUNE 9, 2008 MEETING MINUTES:**

Mr. Flynn wanted to clarify that the recommendations listed on the attached handout were indeed the proposed recommendations approved at the last meeting. All members acknowledged that understanding. Mr. Slatcher made the motion to accept the minutes. Mr. Engle seconded the motion. The motion was carried with no objections.

### **INVESTMENT MANAGERS PERFORMANCE REVIEW:**

Mr. Maxwell provided some commentary on the overall performance of the State's portfolio. Mr. Maxwell stated that the negative performance of the portfolio in September was due to investors' reluctance to own any security other than US Treasury Securities. Mr. Maxwell mentioned that at the end of September, no sector had outperformed Treasuries year-to-date. Mr. Marvin stated that credit spreads continue to widen. Mr. Marvin commented that today's market conditions are worse than the 1974-1975 market and today's market still has not found a bottom. Tom Cook reported that recent DEFAC estimates amount to a \$585 million state deficit over the current and next fiscal years.

Mr. Marvin updated the Board on recent manager changes at Schroders. He expects a smooth transition with the new team.

Mr. Maxwell reviewed the investment guideline changes that were made effective during a conference call with the Board on July 1, 2008. The following changes were made: 1) Combined percentage account limitations for mortgage-backed and asset-backed securities were lowered from 20% to 10%. 2) Percentage limitation on any one issuer was reduced from 10% to 5%.

UPDATE ON SECURITIES LENDING PROGRAM:

Mr. Maxwell advised the Board that the State's Securities Lending Program has earned over \$1.2 million since the program was implemented in April 2006. A group discussion of the Board took place regarding the State's exposure to reinvestment risk and possible action steps were discussed. Mr. Marvin recommended that the State Treasurer's Office schedule a meeting between securities lending representatives of BNY/Mellon and members of the Board to gain further information regarding the State's options in reducing reinvestment risk. All board members agreed to this recommendation.

UPDATE ON BANKING SERVICES CONTRACTS:

Mr. Maxwell advised the Board that PHRST has requested to utilize 1 of the 2 remaining extensions available to them on their direct deposit contract with Wachovia. This would extend the expiration date to June 30, 2010. Mr. Slatcher made the motion to grant this extension. Mr. Larson seconded the motion and it carried with no objections.

OTHER BUSINESS:

There was no further business brought before the Board. Mr. Flynn made a motion to adjourn. Mr. Larson seconded the motion and it carried with no objections. The meeting was adjourned at 11:10 AM.

Respectfully submitted,

A handwritten signature in cursive script, reading "Velda Jones-Potter".

Velda Jones-Potter